

ATTACHMENT D

**Best's Key Ratings of
Ace American Insurance Company**

Best's Rating and Report Updates for ACE American Insurance Company

Best's Rating of A (Excellent)
Financial Size Category of XV (\$2 billion or more)

Rating Category (Excellent): Assigned to companies that have, in our opinion, an excellent ability to meet their ongoing obligations to policyholders. The **Financial Size Category** is assigned to all companies and reflects their size based on their capital, surplus and conditional reserve funds in millions of U.S. dollars.

The objective of **Best's rating system** is to provide an opinion of an insurer's financial strength and ability to meet ongoing obligations to policyholders. Our opinions are derived from the evaluation of a company's balance sheet strength, operating performance and business profile as compared to Best's quantitative and qualitative standards. View our **Best's Rating System and Procedures** for more information.

While Best's Ratings reflect our **opinion** of a company's financial strength and ability to meet its ongoing obligations to policyholders, they are **not a warranty**, nor are they a recommendation of a specific policy form, contract, rate or claim practice. View our **entire notice** for complete details.

***Note:** The above information reflects the most recent Best's Rating for this company, which may have been released subsequent to the creation of the following Best's Company Report.

Best's Company Reports provide detailed business overview, extensive financial data and analytical commentary, product and geographic information, company history, as well as the rationale supporting the financial strength rating assigned by A.M. Best. These reports are updated on a regular basis based on input and analysis performed throughout the year.

Best Company Report Revision Date - 07/22/2005 *

The **Report Revision Date *** represents the last significant material change made to this report. Other non-material changes may have been made to this report subsequent to this date, but are not reflected in the report revision date. The Best Company Report below was created based on the following dates.

Rating and Commentary ¹	Financial ²	General Information ³
Best's Rating: 01/06/2005	Time Period: 1st Quarter - 2005	Corporate Structure: N/A
Rating Rationale: 07/22/2005	Last Updated: 07/22/2005	States Licensed: 06/12/2002
Report Commentary : 07/22/2005	Status: Quality Cross Checked	Officers and Directors: 04/21/2005

***Note:** The **Rating and Commentary** ¹ date outlines the most recent updates to the Company's Rating, Rationale, and Report Commentary for key rating and business changes. Report commentary may include significant changes to Business Review, Financial Performance/Earnings, Capitalization, Investment/Liquidity, or Reinsurance sections of the report. The **Financial** ² date reflects the current status of the financial tables found within the body of the Company Report, including whether the data has been loaded as received or had been run through our quality control cross-check process. The **General Information** ³ date covers key areas that may have changed such as corporate structure, states licensed or officers and directors.

Best's Company Report for ACE American Insurance Company

Group Affiliation: ACE INA Group

ACE AMERICAN INSURANCE COMPANY

1601 Chestnut Street, Philadelphia, Pennsylvania, United States 19103
Mail Address: P.O. Box 41484, Philadelphia, Pennsylvania, United States 19101-1484
Web: <http://www.ace-ina.com/>

Tel: 215-640-1000
AMB#: 02257
FEIN#: 95-2371728

Fax: 215-640-5592
NAIC#: 22667

Report Revision Date: 07/22/2005

BEST'S RATING

Based on our opinion of the consolidated Financial Strength of the members of ACE American Pool, which operate under a business pooling arrangement, each pool member is assigned a Best's Rating of A (Excellent). The company is assigned the Financial Size Category of Class XV, which is the Financial Size Category of the pool.

RATING RATIONALE

The following text is derived from the report of ACE American Pool.

Rating Rationale: This rating applies to ACE American's ten member pool, led by ACE American Insurance Company, and its ten reinsured affiliates. The rating reflects the group's adequate capitalization, favorable operating results, strong management and excellent broker relations.

These strengths are derived from management's successful operating strategies and the group's strategic role, along with the ACE Westchester Specialty Group, as the U.S. arm of Bermuda-based ACE Limited, a leading worldwide insurer. ACE Limited's significant financial resources and name recognition have enhanced the group's business opportunities as strategic initiatives put into place to grow and rebalance the group's book of business have resulted in significantly improved operating results. Also, the group's capitalization is enhanced by the additional financial flexibility and access to capital through ACE Limited, which maintains consolidated GAAP equity of approximately \$9.8 billion at year end 2004. In 2004 approximately \$230 million of statutory pre-tax liabilities were ceded from the Brandywine Group to the ACE American Pool under the \$800 million excess of loss reinsurance agreement which is substantially depleted as a result. The group's decrease in capital as a result of the further use of the reinsurance contract is expected to be replaced with a capital infusion from ACE Group, therefore, capital is expected to remain level.

The group has been able to take advantage of increased rates along with tighter policy terms and conditions resulting in a more profitable book of business compared to several years ago. Prospectively, management strategies include consistent focus on underwriting profits through careful risk selection and pricing, the use of reinsurance to manage net retained exposures to individual losses and loss accumulations as well as ongoing attention to cost control. Operationally, ACE Limited provides cross-selling opportunities to the group, with ACE Limited being a leading provider of professional liability, excess liability, property and specialty coverages to Fortune 500 and multinational corporate clients while the group offers primary coverages and risk-management services to a similar core client base. The group's experienced management team provides a disciplined underwriting approach and strong risk management capabilities.

These strengths are partially offset by ongoing competitive market conditions and expectations for

dividends to the parent company. A.M. Best believes that the group continues to be well positioned to benefit from the opportunities presented with changing market conditions and expects continue favorable operating results.

Best's Rating: A p

Outlook: Stable

FIVE YEAR RATING HISTORY

<u>Date</u>	<u>Best's Rating</u>
01/06/05	A p
06/22/04	A p
06/10/03	A p
03/14/02	A p
01/16/01	A p

KEY FINANCIAL INDICATORS

<u>Period Ending</u>	<u>Statutory Data (\$000)</u>		
	<u>Direct</u>	<u>Net</u>	<u>Pretax</u>
	<u>Premiums Written</u>	<u>Premiums Written</u>	<u>Operating Income</u>
2000	687,519	481,058	-86,850
2001	961,993	547,299	-3,882
2002	1,655,027	790,716	-127,093
2003	2,392,310	1,033,673	65,695
2004	3,171,282	1,372,690	59,698
03/2004	756,773	339,190	17,509
03/2005	897,536	392,335	11,816

<u>Period Ending</u>	<u>Statutory Data (\$000)</u>		
	<u>Net</u>	<u>Total</u>	<u>Policy-</u>
	<u>Income</u>	<u>Admitted Assets</u>	<u>holders' Surplus</u>
2000	-88,910	1,824,638	279,710
2001	-20,964	2,457,350	409,110
2002	-156,845	2,964,123	475,469
2003	65,698	3,514,326	611,800
2004	74,049	5,374,012	881,559
03/2004	21,531	3,628,299	649,054
03/2005	7,159	5,476,890	916,256

<u>Period Ending</u>	<u>Profitability</u>			<u>Leverage</u>		<u>Liquidity</u>		
	<u>Inv.</u>	<u>Pretax</u>	<u>NA Inv</u>	<u>NPW</u>	<u>Net</u>	<u>Overall</u>	<u>Oper.</u>	
	<u>Comb.</u>	<u>Yield</u>				<u>Liq</u>		
	<u>Ratio</u>	<u>(%)</u>	<u>ROR</u>	<u>Lev</u>	<u>to PHS</u>	<u>Lev</u>	<u>(%)</u>	<u>flow (%)</u>
2000	119.4	6.9	-17.3	48.0	1.7	7.2	118.3	65.8

2001	102.3	2.3	-0.8	27.2	1.3	6.3	120.1	117.8
2002	105.1	1.4	-20.0	23.2	1.7	6.9	119.1	141.5
2003	94.8	1.7	6.8	26.6	1.7	6.4	121.1	104.2
2004	93.6	4.0	4.7	31.5	1.6	5.9	119.8	252.9
5-Yr Avg	100.2	3.2	-2.4	...	...	...	...	...
03/2004	88.0	XX	6.5	XX	1.7	6.3	121.9	999.9
03/2005	97.9	XX	3.3	XX	1.6	6.1	120.2	117.5

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement. Within several financial tables of this report, this company is compared against the Commercial Casualty Composite.

BUSINESS REVIEW

The following text is derived from the report of ACE American Pool.

Acquired by Bermuda-based ACE Limited in 1999, the ACE American Pool is part of one of the largest global insurance organizations in the world and ranks among the twenty largest commercial lines insurance organizations in the U.S. The group offers a broad range of commercial specialty products and risk management services to all size businesses, groups and individuals with unique and specialized insurance needs. Principal commercial insurance products include general liability, workers' compensation, commercial package, commercial automobile, property, marine and aviation. Personal lines products are marketed through independent agents. Large commercial customers are served through national brokers.

ACE USA operations are organized into nine groups: ACE Risk Management; Professional Risk; Casualty Risk; US International & Specialty Products; Global Energy; Financial Solutions; Select Markets; Accident & Health and ESIS. ACE Risk Management offers custom coverage solutions for large companies and national accounts, and provides workers' compensation, general liability, auto liability and contractor's wrap-up programs. Professional Risk provides D&O, E&O and surety protection. Casualty Risk offers a variety of commercial casualty products, including up to \$25 million in catastrophic coverage on a lead umbrella as well as excess layer basis. US International & Specialty Products provides worldwide risk protection by offering P&C coverages for US-based multi-national companies. Financial Solutions provides businesses with financial risk management and risk transfer products. Select Markets provides specialty personal lines products including recreational marine and disaster mortgage protection. Accident & Health works with employers, travel agencies and affinity organizations to offer a variety of personal accident, health and travel insurance coverages to employees, customers and group members. ESIS provides claim management and loss-cost reduction services and is a nationally recognized leader in third party claims management.

2004 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	Premiums Written		% of Total NPW	Pure Loss Ratio	Loss & LAE Reserves
	Direct	Net			
Workers' Comp	764,312	338,084	24.6	29.1	213,938

Oth Liab Occur	886,203	215,880	15.7	54.9	396,798
Oth Liab Cl-Made	309,926	210,808	15.4	53.0	132,968
Allied Lines	1,037	125,881	9.2	76.7	12,249
Ocean Marine	104,618	103,722	7.6	64.2	61,226
Comm'l Auto Liab	237,271	67,536	4.9	42.2	57,352
Com'l MultiPeril	264,852	61,176	4.5	67.3	88,611
Group A & H	255,986	47,275	3.4	22.4	-8,481
Inland Marine	61,341	40,131	2.9	20.3	4,562
Med Mal Cl-Made	19,709	36,623	2.7	45.3	23,085
Aircraft	108,929	13,795	1.0	39.0	19,513
All Other	157,099	111,778	8.1	80.6	335,672
Totals	3,171,282	1,372,690	100.0	51.2	1,337,493

Major 2004 Direct Premium Writings By State (\$000): California, \$ 424,526 (13.4%); New York, \$ 255,442 (8.1%); Texas, \$ 250,297 (7.9%); Florida, \$ 197,442 (6.2%); New Jersey, \$ 142,291 (4.5%); 48 other jurisdictions, \$ 1,623,994 (51.2%); Canada, \$ 711 (0.0%); Aggregate Alien, \$ 276,579 (8.7%).

FINANCIAL PERFORMANCE

The following text is derived from the report of ACE American Pool.

Overall Earnings: Prior to acquisition by ACE Limited, the group's return measures had been erratic and generally lagged behind industry peers. After the group's acquisition by ACE Limited, total return on both revenue and equity were negative as the group's results were affected by the change in operating strategies brought by new management. Several lines of commercial insurance were discontinued, loss and loss adjustment expense reserves were strengthened, and charges for staff reductions were recorded as headcount was reduced. The group's combined ratio has steadily improved over the last several years as restructuring efforts took hold. The group recorded \$249 million of 2004 pre-tax operating income including \$161 million of underwriting income and much improved investment income. The quality of earnings in 2004 compares quite favorably with earnings in 2003. Pre-tax operating income in 2003 was \$268 million which included \$79 million of underwriting income.

PROFITABILITY ANALYSIS

Period Ending	Company				Industry Composite			
	Pretax ROR (%)	Return on PHS(%)	Comb. Ratio	Oper. Ratio	Pretax ROR (%)	Return on PHS(%)	Comb. Ratio	Oper. Ratio
2000	-17.3	-38.4	119.4	106.7	8.0	2.4	109.6	91.6
2001	-0.8	7.6	102.3	98.1	-4.1	-6.3	118.7	104.1
2002	-20.0	-31.0	105.1	102.6	1.8	-4.2	108.4	95.9
2003	6.8	19.7	94.8	91.8	5.1	12.8	104.2	92.2
2004	4.7	15.8	93.6	85.2	7.7	13.0	102.2	91.0
5-Yr Avg	-2.4	-1.2	100.2	94.1	3.9	4.1	107.9	94.6
03/2004	6.5	XX	88.0	78.8	XX	XX	XX	XX

03/2005 3.3 XX 97.9 88.6 XX XX XX XX

Underwriting Income: Overall underwriting results, as measured by the combined ratio, have steadily improved in the years since the acquisition by ACE Limited in 1999. New business strategies and the group's focus on underwriting discipline have pushed the combined ratio steadily down with improvements in both loss and expense ratios. The Group had significant underwriting income in 2004 of \$161 million which included approximately \$230 million of liabilities ceded from the Brandywine Group under the \$800 million excess of loss reinsurance agreement. A.M. Best believes that management's disciplined risk management approach and expense control culture will sustain improvement in underwriting profitability.

UNDERWRITING EXPERIENCE

Year	Net Undrw Income (\$000)	Loss Ratios			Expense Ratios			Div. Pol.	Comb Ratio
		Pure Loss	LAE	Loss & LAE	Net Comm	Other Exp.	Total Exp.		
2000	-91,248	71.6	18.0	89.5	8.1	20.7	28.8	1.0	119.4
2001	-22,641	57.6	15.2	72.7	10.0	19.6	29.6	0.0	102.3
2002	-70,072	67.5	13.6	81.1	10.4	13.6	24.1	...	105.1
2003	36,224	59.7	13.4	73.1	9.4	12.4	21.8	-0.1	94.8
2004	63,579	51.2	21.5	72.7	9.3	11.6	21.0	0.0	93.6
5-Yr Avg	...	59.4	16.9	76.3	9.5	14.3	23.8	0.1	100.2
03/2004	17,908	56.2	10.6	66.8	XX	XX	21.2	...	88.0
03/2005	285	62.6	16.8	79.4	XX	XX	18.6	...	97.9

Investment Income: The ACE American Group's investment income has been strong, reflective of the group's significant cash flow and its overall conservative investment strategies and philosophy of building long-term value. Although the group's investment yield has fluctuated over the years in response to variability in the interest rate environment, it has remained on par with insurance peers. The investment portfolio includes a significant level of high yield public bonds which represent a higher credit risk, however, yields are higher for comparable risk. The high yield investments are managed by industry leaders and carefully monitored for early signs of deteriorating financial strength. The group's investment strategy is somewhat more conservative than its peers with approximately 4.5% of its portfolio invested in common stocks.

INVESTMENT INCOME ANALYSIS (\$000)

Year	Company		
	Net Inv Income	Realized Capital Gains	Unrealized Capital Gains
2000	63,354	-165	-54,861
2001	21,951	-16,342	47,221
2002	16,269	-29,629	19,799
2003	29,125	1,036	41,494
2004	107,292	16,166	43,851
03/2004	24,798	4,022	24,831

03/2005 32,995 -4,207 5,784

	Company			Industry Composite	
	Inv Inc Growth	Inv Yield	Total Return	Inv Inc Growth	Inv Yield
Year	(%)	(%)	(%)	(%)	(%)
2000	32.6	6.9	0.9	7.7	6.0
2001	-65.4	2.3	5.7	-14.1	5.3
2002	-25.9	1.4	0.5	-0.1	5.1
2003	79.0	1.7	4.2	6.0	4.9
2004	268.4	4.0	6.4	1.5	4.4
5-Yr Avg	124.6	3.2	4.1	-0.5	5.1
03/2004	XX	XX	2.2	XX	XX
03/2005	XX	XX	1.0	XX	XX

INVESTMENT PORTFOLIO ANALYSIS

Asset Class	2004 Inv Assets (\$000)	% of Invested Assets		Annual % Chg
		2004	2003	
Long-Term bonds	2,433,606	76.5	72.0	50.8
Stocks	116,871	3.7	3.4	54.0
Affiliated Investments	391,364	12.3	14.1	23.6
Other Inv Assets	240,842	7.6	10.5	2.8
Total	3,182,683	100.0	100.0	42.1

2004 BOND PORTFOLIO ANALYSIS

Asset Class	% of Total Bonds	Mkt Val to Stmt Val(%)	Avg. Maturity (Yrs)	Class 1 - 2 (%)	Class 3 - 6 (%)	Struc. Secur. (%)	Struc. Secur. (% of PHS)
Governments	21.2	-0.1	5.0	100.0	...	...	...
States, terr & poss	19.5	0.7	5.5	100.0	...	23.6	13.2
Corporates	59.2	1.5	5.5	93.7	6.3	35.1	59.4
Total all bonds	100.0	1.0	5.4	96.3	3.7	25.4	72.6

CAPITAL GENERATION ANALYSIS (\$000)

Year	Source of Surplus Growth		
	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital
2000	-86,850	-55,025	-34,750
2001	-3,882	30,879	95,000
2002	-127,093	-9,830	217,000

2003	65,695	42,530	65,000
2004	59,698	60,016	173,000
5-Yr Total	-92,432	68,569	515,250
03/2004	17,509	28,854	...
03/2005	11,816	1,577	...

<u>Year</u>	<u>Source of Surplus Growth</u>		<u>PHS Growth (%)</u>
	<u>Other, Net of Tax</u>	<u>Change in PHS</u>	
2000	-12,768	-189,394	-40.4
2001	7,404	129,400	46.3
2002	-13,719	66,358	16.2
2003	-36,893	136,332	28.7
2004	-22,955	269,759	44.1
5-Yr Total	-78,932	412,455	...
03/2004	-9,109	37,254	6.1
03/2005	21,304	34,697	3.9

QUALITY OF SURPLUS (\$000)

<u>Year</u>	<u>Year- End PHS</u>	<u>% of PHS</u>			<u>Dividend Requirements</u>		
		<u>Cap Stk/ Contrib. Cap.</u>	<u>Other</u>	<u>Un- assigned Surplus</u>	<u>Stock- holder Divs</u>	<u>Div to POI (%)</u>	<u>Div to Net Inc. (%)</u>
2000	279,710	166.0	...	-66.0	-34,750	-40.0	-39.1
2001	409,110	136.7	...	-36.7	...	...	...
2002	475,469	163.3	...	-63.3	...	...	...
2003	611,800	137.5	...	-37.5	...	...	...
2004	881,559	115.1	...	-15.1	...	...	...
03/2004	649,054	129.6	...	-29.6	...	...	...
03/2005	916,256	110.7	...	-10.7	...	...	...

LEVERAGE ANALYSIS

<u>Year</u>	<u>Company</u>				<u>Industry Composite</u>			
	<u>NPW to PHS</u>	<u>Reserves to PHS</u>	<u>Net Lev</u>	<u>Gross Lev</u>	<u>NPW to PHS</u>	<u>Reserves to PHS</u>	<u>Net Lev</u>	<u>Gross Lev</u>
2000	1.7	2.0	7.2	9.4	1.0	1.7	3.5	4.9
2001	1.3	1.3	6.3	7.7	1.2	1.9	4.2	6.0
2002	1.7	1.4	6.9	8.0	1.4	2.0	4.6	6.6
2003	1.7	1.4	6.4	7.4	1.3	1.9	4.3	6.1
2004	1.6	1.5	5.9	6.8	1.2	1.8	4.0	5.5

03/2004	1.7	1.5	6.3	XX	XX	XX	XX	XX
03/2005	1.6	1.6	6.1	XX	XX	XX	XX	XX

Current BCAR: 131.8

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW		GPW	
	(\$000)	(% Chg)	(\$000)	(% Chg)
2000	687,519	35.5	2,927,124	4.6
2001	961,993	39.9	3,451,587	17.9
2002	1,655,027	72.0	4,756,455	37.8
2003	2,392,310	44.5	5,368,678	12.9
2004	3,171,282	32.6	6,678,364	24.4
5-Yr CAGR	...	44.3	...	19.0
5-Yr Change	...	524.8	...	138.7
03/2004	756,773	13.1	1,545,084	21.6
03/2005	897,536	18.6	1,822,948	18.0

Period Ending	NPW		NPE	
	(\$000)	(% Chg)	(\$000)	(% Chg)
2000	481,058	-15.5	500,639	1.0
2001	547,299	13.8	511,392	2.1
2002	790,716	44.5	635,251	24.2
2003	1,033,673	30.7	970,533	52.8
2004	1,372,690	32.8	1,283,640	32.3
5-Yr CAGR	...	19.2	...	21.0
5-Yr Change	...	141.1	...	158.9
03/2004	339,190	34.0	270,462	41.3
03/2005	392,335	15.7	353,938	30.9

LOSS & ALAE RESERVE DEVELOPMENT: CALENDAR YEAR (\$000)

Calendar Year	Original Loss Reserves	Developed Reserves Thru 2004	Develop. to Orig.(%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @ 12/2004	Unpaid Resrv. to Dev.(%)
1999	1,198,431	1,182,461	-1.3	-3.4	236.8	211,877	17.9
2000	507,203	629,144	24.0	43.6	126.0	251,642	40.0
2001	521,150	671,315	28.8	36.7	132.0	359,743	53.6
2002	660,744	815,705	23.5	32.6	129.7	520,687	63.8
2003	834,206	903,487	8.3	11.3	93.1	778,445	86.2
2004	1,356,988	1,356,988	...	...	106.4	1,356,988	100.0

LOSS & ALAE RESERVE DEVELOPMENT: ACCIDENT YEAR (\$000)

Original	Developed	Develop.	Unpaid	Acc Yr.	Acc Yr.
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Accident Year	Loss Reserves	Reserves Thru 2004	to Orig.(%)	Reserves @12/2004	Loss Ratio	Comb Ratio
1999	250,283	291,124	16.3	27,763	97.1	134.0
2000	155,523	152,577	-1.9	39,765	82.1	111.9
2001	212,646	244,442	15.0	108,101	78.4	108.0
2002	219,053	318,014	45.2	160,944	80.3	104.4
2003	412,659	361,149	-12.5	257,758	60.2	82.0
2004	578,543	578,543	...	578,543	63.6	84.5

CEDED REINSURANCE ANALYSIS (\$000)

Year	Company			Industry Composite			
	Ceded Reins Total	Business Retention (%)	Rein Rec to PHS (%)	Ceded Reins to PHS (%)	Business Retention (%)	Rein Rec to PHS (%)	Ceded Reins to PHS(%)
2000	607,080	58.0	191.9	217.0	74.0	95.6	138.8
2001	551,293	47.8	113.8	134.8	70.6	129.2	178.5
2002	521,584	38.5	89.1	109.7	71.4	139.5	195.9
2003	596,975	37.0	71.9	97.6	72.4	122.9	175.0
2004	767,304	39.0	61.9	87.0	76.3	108.2	147.8

2004 REINSURANCE RECOVERABLES (\$000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	2,454,228	3,889,613	1,310,415	...	7,654,256
Foreign Affiliates	265,580	105,789	68,890	-256,193	184,066
US Insurers	10,907	2,091	652	...	13,650
Pools/Associations	172,922	166,251	...	...	339,173
Other Non-US	3,993	2,394	2,176	...	8,563
Total (ex US Affils)	453,402	276,525	71,718	-256,193	545,452
Grand Total	2,907,630	4,166,138	1,382,133	-256,193	8,199,708

* Includes Commissions less Funds Withheld

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

Year	Company				Industry Composite			
	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Non-Affl Common Stocks	Inv. Affil Lev.	Inv. Affil Lev.	Class 3-6 Bonds	Common Stocks
2000	26.1	...	5.4	16.4	48.0	83.4	7.7	26.7
2001	13.6	...	3.6	10.0	27.2	66.5	10.5	24.1
2002	14.9	...	1.4	6.9	23.2	59.6	10.4	18.0
2003	13.9	...	1.7	11.1	26.6	51.7	8.6	19.4
2004	10.7	...	9.9	10.9	31.5	44.4	6.7	19.1

LIQUIDITY ANALYSIS

Year	Company				Industry Composite			
	Quick Liq (%)	Current Liq (%)	Overall Agents Bal Liq (%) to PHS(%)	Gross Bal	Quick Liq (%)	Current Liq (%)	Overall Agents Bal Liq (%) to PHS(%)	Gross Bal
2000	16.6	39.0	118.3	44.6	25.1	108.6	142.2	18.4
2001	12.8	41.6	120.1	37.5	22.8	101.1	135.6	18.2
2002	18.4	44.0	119.1	16.2	24.0	98.9	133.1	18.8
2003	28.7	68.0	121.1	22.7	26.1	102.3	134.5	14.9
2004	20.5	75.0	119.8	22.0	24.0	105.8	136.4	14.0
03/2004	XX	76.2	121.9	32.1	XX	XX	XX	XX
03/2005	XX	71.4	120.2	17.8	XX	XX	XX	XX

CASH FLOW ANALYSIS (\$000)

Year	Company					Industry Composite	
	Underw	Oper	Net	Underw	Oper	Underw	Oper
	Cash	Cash	Cash	Cash	Cash	Cash	Cash
	Flow	Flow	Flow	Flow(%)	Flow(%)	Flow(%)	Flow(%)
2000	-677,322	-382,857	-72,640	39.6	65.8	86.4	101.4
2001	84,570	100,507	-10,811	115.6	117.8	87.6	103.3
2002	280,770	261,152	111,306	147.3	141.5	102.6	114.8
2003	12,146	38,793	-66,063	101.3	104.2	113.2	123.7
2004	819,295	819,625	-77,189	254.0	252.9	121.3	130.7
03/2004	262,869	259,166	-163,641	999.9	999.9	XX	XX
03/2005	60,671	63,445	-17	116.8	117.5	XX	XX

HISTORY

This company was incorporated on November 1, 1945 under the laws of California. It began business January 1, 1946. From organization until early 1961 operations were conducted under the title Allied Compensation Insurance Company. In early 1961, the word "Compensation" was deleted from the corporate title and underwriting powers were broadened to encompass all casualty, fire and allied lines. The name was changed on December 14, 1977 to INA Underwriters Insurance Company. The name was changed to CIGNA Insurance Company on December 31, 1983. Administrative offices were moved during 1982 to Philadelphia, Pennsylvania from New York, New York. The company redomesticated from Woodland Hills, California to Philadelphia on December 20, 1996. The current title was adopted on November 1, 1999.

Capital paid-up is \$5,000,000. Authorized capital is comprised of 100,000 shares of \$50 par value each, all of which are issued and outstanding.

MANAGEMENT

All of the outstanding capital stock is owned by INA Holdings Corporation. The later is owned by INA Financial Corporation, an intermediate holding company of INA Corporation, Philadelphia, Pa. Since July 2, 1999, INA Corporation has been directly or indirectly owned by ACE Limited, which

through its various subsidiaries, provides a broad range of insurance and reinsurance products to insureds in the US and 50 other countries.

Officers: Chairman of the Board, Brian E. Dowd; President, John J. Lupica; Vice President and Treasurer, Francis W. McDonnell; Vice Presidents, William N. Curcio, Robert J. Gaffney, Geoffrey G. Gregory, James W. MacDonald, Paul G. O'Connell, Ed K. Ota, Jr., Joseph Stagliano, Charles E. Stauber, John P. Taylor, Edward D. Zaccaria; Secretary, George D. Mulligan.

Directors: William N. Curcio, Brian E. Dowd (Chairman), Richard C. Franklin, Robert J. Gaffney, William P. Garrigan, Geoffrey G. Gregory, John J. Lupica, James W. MacDonald, Francis W. McDonnell, Paul G. O'Connell, Ed K. Ota, Jr., Charles E. Stauber, Edward D. Zaccaria.

REGULATORY

An examination of the financial condition was made as of December 31, 2004 by the Insurance Department of Pennsylvania. An annual independent audit of the company is conducted by PricewaterhouseCoopers, LLP. An annual evaluation of reserves for unpaid losses and loss adjustment expenses is made by Paul G. O'Connell, FCAS, MAAA, Executive Vice President and Chief Actuary, ACE INA.

TERRITORY

The company is licensed in the District of Columbia, Guam, Puerto Rico, U.S. Virgin Islands and all states. They are also licensed and operate in the Bahamas, Bermuda, Korea and Japan.

REINSURANCE PROGRAMS

The following text is derived from the report of ACE American Pool.

Reinsurance agreements are in force on all lines of business to manage net retained loss on individual policies and accumulations of net policy losses.

On casualty lines, treaty and facultative reinsurance is purchased to maintain maximum net limits of \$15 million per policy. The current workers compensation treaty provides coverage in excess of \$20 million. Industrial accident coverage is provided through the program, natural catastrophe coverage is provided excess of \$50 million and terrorism coverage (excluding NBCR) is provided on an aggregate basis of \$100 million.

Property excess of loss per risk and quota share reinsurance reduces property limits to a maximum \$10 million net per risk in non- catastrophe events. Property catastrophe reinsurance is purchased to cover the 100 year PML in excess of a maximum \$45 million net retention. An additional \$200 million SuperCat layer is purchased to cover catastrophe losses in excess of the 100 year PML on property business written in the ACE American Pool.

BALANCE SHEET (\$000)

<u>ADMITTED ASSETS</u>	<u>12/31/2004</u>	<u>12/31/2003</u>	<u>2004 %</u>	<u>2003 %</u>
Bonds	2,433,606	1,613,364	45.3	45.9

Preferred stock	20,500	8,207	0.4	0.2
Common stock	96,371	67,706	1.8	1.9
Cash & short-term invest	128,880	206,069	2.4	5.9
Other non-affil inv asset	87,178	10,320	1.6	0.3
Investments in affiliates	357,837	316,602	6.7	9.0
Real estate, offices	33,527	...	0.6	...
Total invested assets	3,157,899	2,222,266	58.8	63.2
Premium balances	404,453	405,214	7.5	11.5
Accrued interest	24,784	17,867	0.5	0.5
All other assets	1,786,876	868,978	33.3	24.7
Total assets	5,374,012	3,514,326	100.0	100.0
LIABILITIES & SURPLUS	12/31/2004	12/31/2003	2004 %	2003 %
Loss & LAE reserves	1,337,493	851,247	24.9	24.2
Unearned premiums	466,165	393,036	8.7	11.2
Conditional reserve funds	5,573	1,687	0.1	0.0
All other liabilities	2,683,222	1,656,555	49.9	47.1
Total liabilities	4,492,453	2,902,525	83.6	82.6
Capital & assigned surplus	1,014,299	841,299	18.9	23.9
Unassigned surplus	-132,740	-229,499	-2.5	-6.5
Total policyholders' surplus	881,559	611,800	16.4	17.4
Total liabilities & surplus	5,374,012	3,514,326	100.0	100.0

SUMMARY OF 2004 OPERATIONS (\$000)

<u>STATEMENT OF INCOME</u>	<u>12/31/2004</u>	<u>FUNDS PROVIDED FROM OPERATIONS</u>	<u>12/31/2004</u>
Premiums earned	1,283,640	Premiums collected	1,351,345
Losses incurred	657,263	Benefit & loss related pmts	86,526
LAE incurred	275,447	Net transfers to accounts	...
Undrw expenses incurred	287,656	LAE & undrw expenses paid	445,524
Div to policyholders	-305	Div to policyholders	...
Net underwriting income	63,579	Undrw cash flow	819,295
Net investment income	107,292	Investment income	115,634
Other income/expense	-111,173	Other income/expense	-111,173
Pre-tax oper income	59,698	Pre-tax cash operations	823,756
Realized capital gains	16,166	Income taxes pd (recov)	4,132
Income taxes incurred	1,814	Net oper cash flow	819,625
Net income	74,049		

INTERIM BALANCE SHEET

<u>ADMITTED ASSETS</u>	<u>03/31/2005</u>		
Cash & short term invest	128,863	...	...
Bonds	2,822,500	...	...
Preferred stock	14,201	...	...
Common stock	484,469	...	...
Other investments	208,559	...	...
Total investments	3,658,591		
Premium balances	417,928	...	...
Reinsurance funds	407,668	...	...
Accrued interest	28,269	...	...
All other assets	964,434	...	...
Total assets	5,476,890		
<u>LIABILITIES & SURPLUS</u>	<u>03/31/2005</u>		
Loss & LAE reserves	1,459,769	...	...
Unearned premiums	501,091	...	...
Conditional reserve funds	5,573	...	...
All other liabilities	2,594,201	...	...
Total liabilities	4,560,634		
Capital & assigned surp	1,014,299	...	...
Unassigned surplus	-98,043	...	...
Policyholders' surplus	916,256		
Total liabilities & surplus	5,476,890		

INTERIM INCOME STATEMENT

	<u>Period Ended</u> <u>3/31/2005</u>	<u>Period Ended</u> <u>3/31/2004</u>	<u>Increase/</u> <u>Decrease</u>
Premiums earned	353,938	270,462	83,477
Losses incurred	221,571	151,985	69,587
LAE incurred	59,294	28,609	30,685
Underwriters expenses incurred	72,789	71,960	829
Net underwriting income	285	17,908	-17,623
Net investment income	32,995	24,798	8,197
Other income/expenses	-21,464	-25,197	3,733
Pre-tax operating income	11,816	17,509	-5,693
Realized capital gains	-4,207	4,022	-8,229

Income taxes incurred	<u>450</u>	<u>...</u>	<u>450</u>
Net income	7,159	21,531	-14,373

INTERIM CASH FLOW

	<u>Period Ended</u> <u>3/31/2005</u>	<u>Period Ended</u> <u>3/31/2004</u>	<u>Increase/</u> <u>Decrease</u>
Premiums collected	422,253	270,704	151,550
Benefit & loss related pmts	221,414	-67,841	289,256
Undrw expenses paid	<u>140,168</u>	<u>75,676</u>	<u>64,491</u>
Underwriting cash flow	60,671	262,869	-202,197
Investment income	<u>23,910</u>	<u>21,867</u>	<u>2,043</u>
Other income/expense	-21,587	-25,197	3,610
Pre-tax cash operations	62,995	259,539	-196,545
Income taxes pd (recov)	<u>-450</u>	<u>373</u>	<u>-823</u>
Net oper cash flow	63,445	259,166	-195,722

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